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REPORT 6 FROM A REAPPRAISAL OF THE FOREST SITUATION

FOREST COOPERATIVES IN THE UNITED STATES

U. S. Department of Agriculture - Forest Service

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No. 5. Protection Against Forest Insects and Diseases in the United States

No. 6. Forest Cooperatives in the United States

FOREWORD

During 1945 and 1946 the Forest Service made a reappraisal of the Nation's forest situation. This undertaking, carried out under the general direction of R. E. Marsh, brings up to date previous analyses of a similar nature. This report covers one phase of the reappraisal. Others deal with other aspects and with the situation as a whole.

Cooperative associations merit attention in a comprehensive forest program for the Nation. Public encouragement is generally needed to start forest cooperatives, but once firmly established, such organizations should be independent and self-supporting. There are more than 4 million small forest landowners in the United States. Their forest practices are generally not satisfactory. Only 4 percent of their cutting is good; 71 percent is poor or destructive. By helping small owners to market their timber well and to overcome other handicaps, forest cooperatives should lead to better forestry. And they should help raise the standards of living for rural people.

This report, based on a compilation of available information, is the work of Russell N. Cunningham. Helpful information was supplied by a number of State officials and managers of cooperatives.

Lyle F. Watts

Chief, Forest Service

Washington, D. C.

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FOREST COOPERATIVES IN THE UNITED STATES

About 261 million acres or three-fourths of the privately owned commercial forest land of the United States is in small tracts—about equally divided between farm woodlands and nonfarm holdings. These tracts include some of the most accessible and potentially the most productive forest land, but because of mismanagement and poor marketing facilities they are yielding only one-third to one-half of what they could.

Some of these small woodlands have been so heavily cut or are so badly run down that they will yield no salable products for years. Owners of such woodland have little need for cooperative marketing service. But many other woodlands, whether supporting good stands of merchantable timber, or barely enough to justify commercial cutting, offer a promising and largely unexplored field for forest cooperatives. While contributing to the national output of timber products, they can be kept productive or restored to more productive condition by good forest practices.

Owners of small forest tracts as a rule have little knowledge of what trees to cut and of other aspects of good forest management. Often, because of the small acreages and relatively small values involved, they cannot afford to employ consulting foresters. Moreover, most owners lack experience in the practical aspects of logging, milling, and marketing forest products and thus fail to obtain full value for them. For these and other reasons they sometimes come to the conclusion that forestry is impractical and unprofitable, whereas with proper help and guidance they might find their woodlands a highly valuable asset.

Some farmers and settlers in forest regions, who would like to work in their woods part of the year, lack funds to buy equipment and to finance woods operations. If they borrow from timber buyers, they are restricted in their choice of markets. They are often unable to give the kind of security required by local banks. Often they have to pay a high rate of interest.

Because of their rather remarkable success in agricultural marketing and procurement of farm supplies,[1] cooperative associations seem to

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1/ "It probably is no exaggeration to say that within these agricultural areas at least half of the farmers are now associated with a cooperative enterprise of one kind or another . . . It is estimated that more than three million farmers hold memberships . . . fully half a million more patronize them . . . Total volume in 1943 of marketing and purchasing . . . more than $5,000,000,000." From Agricultural cooperatives in the postwar period. (See References, p. 18.)

offer one means of overcoming some of these difficulties and stimulating landowner interest in better woodland management.

Actual experience with forest cooperatives in this country is rather meager. However, records are available for 57 which operated during the decade 1935-44. This gives a basis for drawing some tentative conclusions on such questions as these:

Can cooperatives help the landowner get better returns for his woodland products and stimulate his interest in better woodland management?

Are they practicable from a business standpoint?

What type of cooperative holds the greatest promise?

What measures of public aid are justified to stimulate development of forest cooperatives and guide them along the most constructive lines?

Several Types of Forest Cooperatives Have Been Tried

Forest cooperatives vary in purpose and in the scope of their activities. The classification used in this report[2] gives special weight to interest and accomplishments in forestry:

(a) Cooperative stores: Independent associations which, incidental to other business, sell forest products for members and sometimes for others, but which do not concern themselves with methods of cutting or the handling of forest lands. Three cases are recorded.

(b) Marketing associations:[3] Independent associations formed primarily for collective marketing of logs, pulpwood, and other timber products but making a definite effort to get members to follow approved methods of logging and other desirable forestry practices. Thirty cases are recorded.

(c) Processing cooperatives: Independent associations which go a step farther than the marketing associations and provide their own processing plants. Only one complete example is known.

2/ The Inter-Bureau Committee on Post-War Programs recognized: (1) Marketing associations, (2) purchasing associations, and (3) service associations. It distinguishes also between independent local associations and federations, pointing out the recent trend toward State-wide or regional federation of cooperatives doing the same general type of business. (See References, p. 18.)

3/ A few marketing associations have operated small portable sawmills from time to time, but processing has been a very minor phase of their activity.

(d) Federations of local cooperative associations which engage in forest products operations as a means of getting lumber or wooden containers for members or of helping them market timber products. Eleven cases are recorded. As yet good forestry has not been an objective of many of these federations.

(e) Special-purpose cooperatives: Group-service organizations formed to own and operate logging machinery or other forestry equipment, and marketing associations dealing with secondary forest products (Christmas trees, nuts, naval stores, maple syrup). Twelve cases are recorded.

A classification of this kind is not wholly adequate for appraising future possibilities. There are other points to consider, such as the probability that many special-purpose cooperatives will expand in time into broader fields of forest management. Some independent log and pulpwood marketing associations may acquire mills and go into processing of finished products. An independent processing co-op may connect itself with a farm service cooperative to get a more direct channel to the consumers. Some large federations may develop their own processing facilities along cooperative lines. Nevertheless, consideration of each of the types listed above will serve to point up the possibilities and limitations of forest cooperatives.

Cooperative Stores Have Not Advanced Forestry

Cooperative stores, left to their own devices, have not contributed much to the improvement of forest management. The theory that farmers, through obtaining larger income from timber sales, would take greater interest in their woodlands and automatically give them greater care has not been demonstrated in practice. More commonly, the better prices have stimulated overcutting and liquidation of resources.

The Rock Cooperative Company, Rock, Mich., opened its store in 1914.4/ During the first 20 years of operation, it sold more forest products than anything else. In 1930, its best year, it sold $265,613 worth of logs and pulpwood but the cooperators did not crop their woodlands for sustained production. Instead, they mined them for immediate profit and allowed their woods to become almost completely exhausted. Sales of forest products began to drop off after 1930 and amounted to only $21,000 in 1943. This experience has been duplicated by other cooperative stores in the Middle West.

4/ A study of farm woodland cooperatives in the United States. (See References, p. 18.)

Marketing Associations Have a Mixed Record

At least 30 independent forest products marketing associations were formed during the decade 1935-44: 15 in the Northeast, 3 in the Appalachian States, 3 in the South, 2 in the Central States, 6 in the Lake States, 1 in the Pacific Northwest. Of these only 11 are known to have been active in 1945.

During the war groups of this kind lost business from several causes. The members themselves were unable to cut and deliver as many logs as usual because of acute labor shortages on the farms. Wood-using industries, because of unusually heavy demand for wood products, put their own buyers in the field and offered farmers as much for logs as the associations could pay. Some public foresters and other leaders in the cooperative projects were inducted into military service and could not be replaced. The associations that survived were mainly the ones which could take advantage of contributed services from public forestry agencies and thus keep their own overhead expense to a minimum.

The surviving associations, particularly those which have a definite statement of forestry objectives in their bylaws and sale agreements, demonstrated an ability to improve cutting practices. A few examples will illustrate:

The Tioga Woodland Owners Association in New York State, according to its bylaws, aims to "establish a conservative cutting policy in the interest of a perpetual crop." It requires members, under marketing agreements, to cut their timber under approved forestry methods. It encourages them also to control grazing in the woods, make thinnings and release cuttings, and eliminate dead and defective trees. It has found, however, that not many farmers will apply these latter measures unless they bring immediate financial returns.5/ During the war the Tioga Association operated on a small scale, its volume of business being only about 15 percent of prewar.

The (Groveton or Coos-Essex) Forest Products Association in New Hampshire likewise is committed in its bylaws to "assisting in the application of better forest practices and adoption of maximum sustained yield principles." Its marketing agreement and sales contract provide that members shall "adopt and apply proper forestry practice as recommended by the representatives of the Secretary of Agriculture and the Extension Service." The association, in furthering its good forestry objectives, has carried forward an educational program in cooperation with the State Extension Service. In 1936 it borrowed $100,000 from the Resettlement Administration. With this money, it advanced up to $200 to individual members on promissory notes. This Federal loan seems large in relation to capital subscribed by members (less than $1,000) and volume of business

5/ A study of farm woodland cooperatives in the United States. (See References, p. 18.)

(the equivalent of 17,000 cords of wood in 1942, 15,000 in 1943, less in 1944 and 1945). But the loan was made during the depression when needs of local people for employment were great. Furthermore, it was intended to help the association establish a permanent, central yard for handling lumber, logs, piling, cedar poles, posts, etc., and to operate a planing mill. If the war had not intervened, the loan might have enabled the association to grow out of the simple brokerage business into an organization providing wider service. This association is solvent but because of the sellers' market that developed during the war, it became inactive in 1946.

The West Virginia Forest Products Association was established in 1937 to furnish complete forest management service to its members, a large proportion of whom are nonresident. The service, which includes reconnaissance, cruising, marking, selling, and supervision of the cutting, is furnished to landowners anywhere in the State at cost plus 10 percent for contingencies. Cuttings by the association are made according to sustained-yield principles with a 10-year cutting cycle in mind. For the larger tracts, continuing management plans provide for annual cuts, girdling of defective unmerchantable trees, and other stand-improvement measures. During the year ending October 31, 1945, the association managed 30,000 acres bearing 100 million board feet of timber. Also, it sold more than 1 million board feet of saw timber at a fee of about $1 per thousand. Expansion plans include a sawing service, to make it more practicable for farmers to improve their housing. The West Virginia plan seems to have merit for nonresident landowners, many of whom are interested in obtaining annual returns from their forest land rather than liquidating in one operation. On the other hand, in 1939 few of the resident farmers were much interested in sustained-yield management.6/

The New England Forestry Foundation, a nonprofit organization incorporated under Massachusetts law in 1944, proposes to create forest management work centers throughout the wooded section of New England, maintaining foresters and trained crews to give complete forestry and timber marketing service to owners at cost and acquiring land of its own to be operated as demonstration forests. Three work centers were in operation in 1946. By the end of that year, management plans had been made for over 30,000 acres and more than 3 million board feet of timber had been marketed. It has not been able to keep up with calls for service.

A group of small marketing associations in the Lake States operates on national-forest, State, or county land. While this contributes little or nothing to private timberland management, the associations could handle timber from private lands, if their operations were expanded. They have helped settlers and small loggers within or adjacent to the public forests to obtain profitable contracts from wood-using

6/ A study of farm woodland cooperatives in the United States. (See References, p. 18.)

industries, to live at home while working on small public timber sales, and to obtain loans without committing themselves to one buyer. The experience of some of these associations with financing is instructive.

The Au Sable Forest Products Association in Michigan, for example, obtained a $3,000, 3-percent loan from the Farm Security Administration in 1941. It was to be repaid in 5 years. This loan enabled the members to receive advances on partially processed pulpwood without binding themselves to any one purchaser. The association does a business of about $40,000 per year. By June 30, 1945, the loan had been reduced to $1,800 and the association had built up a working fund of $5,343 from undistributed patronage dividends. This shows that a small loan can be very helpful in putting a marketing cooperative on a going basis.

The Cass Lake Forest Cooperative Association in Minnesota borrowed $5,000 for 10 years at 3 percent for similar purposes. According to available reports, it is up to schedule on repayments but has not been as aggressive in accumulating working funds as the Au Sable cooperative.

Processing Cooperatives Have Certain Advantages

The only example of an integrated management, marketing, and processing co-op on a substantial scale is the Otsego Forest Products Cooperative Association, Inc., Cooperstown, N. Y. It has nearly 1,000 members, who own 31,000 acres of woodland bearing 50 million board feet of timber. It has a well-equipped band sawmill with dry kiln, planer, cut-up saws, etc., and can produce 2 million board feet per year on a sustained-yield basis. It assists members to plan timber operations, cruises timber, marks trees to be cut, saws logs into lumber. It sells its products in commercial markets or to members.

One major objective of the Otsego Association is "to promote, foster and encourage the better care and increased productivity of woodlands." A woodland owner, on joining the association, is required to sign a management and marketing agreement stipulating that his woodlot shall be managed according to the forestry principles determined by the association. A study based on personal interviews in 1944 showed that three-fourths of the members favored a selective cutting policy. Only 2 percent commented adversely on this policy and more than half singled it out as the best-liked feature of the association program. In practice, the association recommends as light a selective cut and removal of as many dying, deformed, and suppressed trees as is consistent with the owner's financial needs and the requirements of economical logging.

The Otsego Association obtained its initial capital by borrowing from the Resettlement Administration and its successor, the Farm Security Administration. This capital was used not only to install processing plant equipment but to promote the enterprise and carry it through the preoperational stages. The loans, moreover, were made under conditions designed to spread work and improve the status of low-income farmers in

accordance with aims of the Resettlement Administration. They proved to be out of proportion to the volume of business the available woodlands could sustain, and in 1947 the operation was refinanced through the Bank for Cooperatives at Springfield, Mass. The association has been operating on a profitable basis with respect to its new capitalization. The Federal contribution to this cooperative has served to demonstrate a new type of forestry enterprise which may affect the status of private forestry over considerable areas.

Forest Service men who have worked closely with the processing type of association feel that it has definite advantages over an association limited to log marketing. The processing phase should create a bond between the producer, the manufacturer, and the consumer. It should assure the woodland owner a fair market for his logs. It should provide a focal point for cooperative interest and create a feeling of pride, an atmosphere of permanence. It should serve the needs of the farmer as a consumer. The completely integrated operation favors close utilization of timber and provides a basis for sustained-yield forestry. Members can sell what needs to come out of the forest each year and are not dependent upon itinerant mills that usually expect to cut clear. Furthermore, a processing cooperative offers a means of introducing modern equipment and modern techniques not ordinarily used by small independent operators. And to the workers it should offer good wages and the protection of modern safety devices.

The logical place for processing cooperatives is in well-wooded localities where small portable sawmills provide the chief local market for timber. Such small mills commonly are inefficient and turn out poor and ungraded lumber. The small-mill operators have difficulty in assembling carload lots of separate products and may fail to reach the best markets. Thus they are often unable to pay full value for stumpage or logs. Moreover, they do not assure the farmer a market for logs at the time he wants to sell. These disadvantages can be largely overcome if processing facilities are owned cooperatively and operated as a service to the woodland owners.

A processing cooperative is not likely to be satisfied with a sawmill. It may build a dry kiln, planing mill, flooring plant, wood-laminating mill, box factory, or other plant designed to get a better return from local timber or make products more useful to the members themselves.

Processing cooperatives, however, are likely to encounter more difficult problems of management and financing than simple marketing associations. They require more thorough planning and may need public aid as follows:

(1) A careful preliminary survey should be made to determine what volume of business can be expected. This should cover not only the physical volume and growth of timber, but also the attitudes of landowners.

(2) A concentrated educational campaign and membership drive should be made before or during plant construction. Landowners should be willing to invest some of their own money and permit the association to retain a reasonable proportion of income to build up working capital. If there is no indication that such support can be obtained, plant construction should be postponed.

(3) Liberal credit should be available to help a limited number of pioneer associations get started. Borrowed money should be used almost exclusively for physical facilities and direct operational expense. Preliminary surveys and organizational work should be done largely with contributed services.

(4) The association should look to public foresters for advice and help on the technical forestry phases of the job. Here the association objectives dovetail with objectives of extension foresters and farm woodland marketing specialists and they should be able to work together to mutual advantage and practically without cost to the association.

(5) Phases of operation or processing designed to develop new methods, or new products, and to reduce waste in woods or mill, may need to be underwritten as part of the public research program. Cooperative organization opens new opportunities for technological and economic progress but the cooperative should not jeopardize its success by undue expense in experimenting with untried utilization practices.

Federations Have Unrealized Potentialities

Farmers are heavy consumers of lumber and other timber products. For construction purposes, for fruit and vegetable containers, and for fuel, posts, and incidental items they require 5 to 6 billion board feet of lumber and many millions of cords of other material each year. At present most of them pay high prices for timber products shipped from other regions. Moreover, because of a Nation-wide lumber shortage and problems of distribution in rural areas, they have experienced great difficulty since the war in obtaining the building materials they need. Forest cooperatives should be able to help them make greater use of locally grown timber and to bring together the farmers in one locality who lack sufficient stumpage with those in another locality who have a surplus to sell. One type of cooperative association appears particularly well equipped to fill these needs. That is the large federation of purchasing co-ops.

More than 2,700 farmer cooperative purchasing associations in the United States provided services to 1,660,000 patrons and did a $730,000,000 business in 1943. Many of these are linked in State-wide or regional federations and are expanding rapidly with respect to both

volume of business and diversity of products handled.7/ Some of the federations handle lumber for their patrons and several operate their own mills.

These federations, because of their wide geographic distribution, large membership, and financial stability, should be able to contribute much to the advancement of forestry. Representing consumers, they should be intensely interested in a sustained supply of forest products. Actual accomplishment to date has not been impressive, but several federations have shown some interest in promoting better forest practices.

The Farmers Federation of Asheville, N. C., is a dual-purpose marketing and purchasing cooperative. In 1930, it established a forest products department and opened a log yard at each of its 17 warehouses. It has marketed up to 1,000 carloads of forest products per year. Objectives of the forest products department are: (1) To secure an agreement from all landowner-operators to give full cooperation to State and national agencies in fire prevention and suppression and to adopt cutting practices based on sustained annual yields, (2) insofar as possible, to secure the same agreement with operators who are not landowners (these are often financed and otherwise assisted by the association), (3) to introduce improved methods of cutting, logging, and manufacture of timber products that will obtain the closest possible utilization.

In 1943, the Farmers Union of Wisconsin, with the help of the Soil Conservation Service, sponsored 22 log concentration yards to help farmers get the favorable prices offered for veneer logs and other select products.8/ Each of the yards was supervised by a going farmer co-op--a creamery, oil station, produce store, or warehouse. Managers of these local co-ops kept the records, provided storage space, and arranged for trackage rights and railroad cars--all for a fee approximating actual cost. In the logging operations, the method of cutting was left to the discretion of the individual farmers but, under the guidance of SCS foresters, was fairly good. In one district checked, more than half the farmers followed the recommended selective cutting methods and a few went further, fencing the woodland area to encourage forest reproduction.

The Range Cooperative Federation of Virginia, Minn., set up a forest products marketing service in 1939 when it represented 18 local cooperative societies with about 10,000 member families in the forested section of northern Minnesota. During the first 6 months of 1944, it sold $238,873 worth of forest products. It does not attempt to control cutting methods but has carried on some forestry educational work.

7/ Agricultural cooperatives in the postwar period. (See References, p. 18.)

8/ Wisconsin's Co-op Log Yards. (See References, p. 18.)

The Indiana Farm Bureau Cooperative Association is the purchasing agency for a large federation of farm cooperatives in the Middle West. It owns some timberland and operates several sawmills in Arkansas supplying some 50 local lumber yards belonging to member co-ops. It has not attempted to get timberland owners to practice forestry, but is reported to be interested in sustained timber yields and might cooperate with public agencies to that end.

The Consumers Cooperative Association of Kansas City, Mo., one of the largest federations, operates a sawmill in Oregon to obtain lumber for member needs. Although it owns some timberland, the association relies mainly on publicly owned forest lands for logs.

The Grange League Federation in New York operates not only a sawmill but also a box and basket factory to supply food containers to member associations. It has not concerned itself with forest management.

A number of fruit and vegetable cooperatives, of which there are some 920 with a combined membership of 160,000 and an annual business of $600,000,000, also engage in lumbering and milling to provide boxes and crates for their own use.9/ The Fruit Growers Supply Company of California is the largest lumber producer; other operations are reported in California, Washington, Colorado, Louisiana, and Florida.

Some Special-Purpose Cooperatives Help Forestry

A number of group-service cooperatives fill the same place in forest management that "threshing rings" and "bull clubs" do in general farming. For example, at least 2 groups of farmers have organized to treat fence posts. Another group operates special fire-fighting equipment. Several have planned joint ownership of tractors and logging arches. Among the 5,190 active cooperative groups sponsored by the Farmers Home Administration, many no doubt contribute incidentally to forest utilization. These often provide badly needed help to low-income farmers and deserve encouragement from governmental agencies. They are of little significance, however, in direct management of forest properties and require little consideration here.

Of a somewhat different nature is the Winona Wood Products Cooperative Association in Minnesota. Though concerned primarily with reprocessing (planing and grooving) rough lumber sawed by various privately owned mills, it included this among its aims: "to promote, foster, and encourage the practice and application of sound forestry principles." Actually, the association as such had little control over logging; however, the public foresters who assisted the cooperative

9/ Agricultural cooperatives in the postwar period. (See References, p. 18.)

worked also with individual farmers in selecting trees for cutting, getting the logs sawed, and piling the lumber for drying. The commitment of the association on forestry practices had at least a psychological value. This association is still in existence but was not active during the war.

The associations in the South handling naval stores, and those in the North handling maple syrup, conceivably could expand their activities to a point where they would significantly influence forest management.

Forest Cooperatives Face Unusual Difficulties

Largely because of difficulties at present inherent in the management of small private forest holdings, forest products cooperatives have had to overcome handicaps which do not commonly burden other kinds of cooperatives.

The bulk of small forest holdings, after years of overcutting, pasturing, burning, or other abuse, are not in condition to yield much income. These woods will have to be protected for a long time and in many cases will require investment of money and work for planting, improvement cutting, thinning, and removal of defective timber before there will be much to sell. Cooperative marketing associations have little attraction for owners of many such run-down woodlands.

Even when the woods are in a fairly productive condition, promoters and managers of forest cooperatives face considerable public apathy. The landowners and other local residents generally are not fully aware of the probable future need for forest products or the possible benefits from proper woodland management. Farmers look upon the forest crop as secondary to other major farm crops and both they and nonresident woodland owners lack interest when a harvest cannot be obtained oftener than every 10 years or so. To maintain interest in cooperative activities requires unusual effort on the part of association officers.

Associations have had difficulty in accumulating adequate working capital. If the charges for service or hold-backs in payments for products are too high, they discourage many who logically should be members but who are somewhat skeptical of results. If charges or hold-backs are too low, the associations are commonly unable to provide the kind of services which would make them fully effective. They are unable to go beyond the simplest kind of log-marketing activity.

Except in rare instances, managers of forest cooperatives have no dependable source of loan funds for such purposes as (1) installation of processing plants and equipment, (2) working capital, (3) funds to make advances to members on logs in various stages of cutting and delivery. Credit facilities designed for general farm cooperatives do not completely fill the needs of forest co-ops.

Because of such considerations, some special impetus will be needed to assure thorough trial and demonstration of the possibilities for cooperatives in the management of small woodlands.

Forest Cooperatives Require Outside Help

Forest cooperatives already have received considerable public assistance in getting organized and in carrying on the forestry phases of their operations. A few have obtained loans from public agencies. Public aid, however, has been largely confined to farmers, and some of it has not been very effective. Analysis of results shows the need for broadening and systematizing the public efforts. The following are examples of help given.

Preliminary surveys

Prior to the organization of the Tioga Association[10] in 1939, the U. S. Forest Service, the Civilian Conservation Corps, the New York State College of Forestry, and the Extension Forester cooperated in a survey that included a 100-percent inventory of 23,000 acres of woodland in 850 individual tracts.

In the case of the West Virginia Association,[11] the U. S. Forest Service made first a preliminary reconnaissance, as a basis for planning the size and nature of the cooperative. Later, with the help of the Civilian Conservation Corps, it made a more intensive timber survey and growth study of individual tracts aggregating about 20,000 acres of woodland. A similar timber survey and growth study including 200,000 acres was made for the Forest Products Association of Groveton, N. H.[10]

In Otsego County, N. Y., both the Charles Lathrop Pack Forestry Foundation and the Northeastern Forest Experiment Station made general surveys before the Otsego Association[12] was formed. Subsequently the experiment station made several special surveys to determine the trend of public opinion, and other factors affecting the amount and kind of service needed. It made intensive cruises and maps of individual tracts as needed.

While surveys as intensive as those in West Virginia, New Hampshire, and New York may not be necessary in every case, some study of forest conditions and owner attitude obviously is needed before a cooperative association can be planned with confidence. Local people rarely will be in a position to finance such preliminary work.

10/ See page 4.
11/ See page 5.
12/ See page 6.

Management

Practically every forest products cooperative other than stores and purchasing associations has received public help in organization, in cruising, marking, scaling, and other technical forestry service to members, and in business operations for at least a few years.

In connection with the Timber Production War Project, fieldmen of the Soil Conservation Service aided the Wisconsin log yards[13] in 1943, encouraging production by leaflets and public meetings. They assisted the farmers to obtain contracts--and to scale and grade logs. When requested, they marked trees in the woodlots for cutting. Soil Conservation Service men also supported the Washington Forest Products Cooperative, Everett, Wash. (now inactive); the Turtle Mountain Woodland Products, Inc., Bottineau, N. Dak.; the Homes Creek Cooperative, Chipley, Fla., and others.

The Extension Forester for New York State encouraged the formation of the Tioga County Woodland Owners' Cooperative Association in 1939. He and his assistants contributed to the education of members by staging demonstrations, conducting tours and field days, and occasionally sending members news notes. For a time he assumed the responsibility for getting trees marked for cutting, but this is done now by a local Norris-Doxey[14] farm forester. Since the volume of sales has been too small to employ a manager, the board of directors and the county agent have carried on the business affairs without charge.

The Extension Service also helped the Carroll County Woodland Owners' Association, Tamworth, N. H.; Forest Products Association, Inc., Groveton, N. H.; Bayfield and Frog Creek Associations in Wisconsin; DeSoto Parish Forestry Cooperative in Louisiana; Negro Farmers' Sawmill Cooperative, Fayette County, Tex.; Woodland Owners' Cooperative, Peoria, Ill.; and others. These were all marketing or special-purpose associations.

Since the West Virginia Forest Products Association, Inc., was an experiment in cooperative management of small, privately owned woodlands, several agencies contributed to its support. The Office of State Agricultural Experiment Stations in the U. S. Department of Agriculture, Washington, D. C., furnished half the manager's salary for 5 years and about $10,000 for incidental expenses. The West Virginia University contributed the time of faculty members in supervising the experiment and preparing management plans for the woodlands. The State Extension Forester also donated time to mark timber for cutting. The U. S. Forest Service and the West Virginia Conservation Commission furnished personnel for timber

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13/ See page 9.

14/ Employed by the State with financial assistance from the Federal Government under the Norris-Doxey Farm Forestry Act.

surveys. The Forest Service through its Appalachian Forest Experiment Station also helped in growth studies and other technical matters. One of the association members donated office space and others loaned money for working capital. The association is now self-supporting.

The U. S. Forest Service, through the Northeastern Forest Experiment Station, has provided technical and managerial help to the Otsego Forest Products Cooperative Association in New York. In connection with studies of the cooperative in action, the station has made management plans for woodland owners, marked timber for cutting, made market surveys, etc. The station furnishes the association with technical assistance and advice and has functioned as a trustee of the loans from the Federal Government.

The Forest Service likewise is chief sponsor for several other associations, including the Au Sable Cooperative in Michigan and the Cass Lake Cooperative in Minnesota.

Financing

Banks for Cooperatives in the Farm Credit Administration are authorized to make certain types of loans to cooperatives dealing in farm products.[15/] The banks, however, are required to make loans only to

15/ Banks for Cooperatives can make loans for the following purposes:
Facility loans for financing acquisition of land, buildings, and equipment used in the business activities of the association. Security usually consists of a first lien on the property itself with such additional collateral as may be required. By law, no loan on physical facilities may be made in excess of 60 percent of the appraised value. Loans cannot exceed 20 years—usually run 10. The current rate of interest is 3½ percent. Facility loans generally are repaid in installments over the life of the loans.
Operating capital loans to supplement the cooperative associations' own capital funds during times of peak seasonal activity. There are no legal requirements as to collateral but the banks often require liens on real estate, equipment, or other property. Such loans are usually short term. Present interest rate is 2½ percent.
Commodity loans on staple commodities. They are secured by the first lien. The period is seldom more than 9 months--the current rate of interest is 1½ percent.
To be eligible for bank loans, the cooperative associations must be organized along approved cooperative lines. Most of their business must be with farmer members. Their management and business policies must be such as to insure the reasonable safety of the loan.
Moreover, they must purchase capital stock in the Bank for Cooperatives to the extent of 5 percent of the loan in the case of facility or operating loans, 1 percent for commodity loans.

cooperatives that do most of their business with farmers, whereas forest cooperatives serve many small landowners who are not farmers. Moreover, the banks have strict requirements for collateral and thus are not prepared to promote new types of enterprises for trial and demonstration.

For these reasons the few forest cooperatives that have had Federal financial aid were those obtaining loans from the Farm Security Administration under emergency legislation no longer in effect. As already indicated, only the Forest Products Association of Groveton, N. H., and the Otsego Forest Products Cooperative, Cooperstown, N. Y., had large-scale public financing.

Suggestions for Federal aid

To insure that forest cooperatives of the most promising type may be adequately tried and demonstrated in all the forest regions where small woodlands are important, the available facilities of the Department of Agriculture might well be focused more on the development of forest cooperatives and on studies leading to their improvement.

Qualified forest economists and field assistants are needed in each of the important farm woodland regions for preliminary surveys and other studies which may contribute to the successful organization and operation of forest cooperatives. In each locality where a cooperative is contemplated, information will be needed on such things as: (a) Volume, quality, ownership, and availability of tributary timber; (b) existing marketing facilities and possible improvements; (c) landowner attitudes and probable degree of participation; (d) amount and quality of available leadership; and (e) general business prospects. The men responsible for preliminary surveys should have had considerable experience with cooperatives and know the prerequisites of success. The same personnel can give advisory assistance in organization and management and their studies may develop basic principles of value to cooperatives in general. For example, a joint study by the Farm Credit Administration and the Forest Service should lay the groundwork for constructive action by the large farm-cooperative federations in the fields of forestry and forest products in which their members should be interested either as producers or as consumers.

There will also be need for continuing research aimed at developing practices and processes to reduce waste and increase operating margins under the special and generally favorable conditions created by cooperatives. This might call for authority to purchase and install equipment for experimental or pilot plant operation and to lease or sell such facilities to cooperatives.

Service to cooperatives should be expanded in such matters as stimulation of landowner interest; advising managers on business questions; showing members or association agents how to cruise, mark, scale, and grade timber; helping associations prepare educational material, etc.

Such service should be extended to all small owners and not be limited to farmers as at present.

A large proportion of the aid suggested is in reality aid to individual landowners rather than aid to cooperatives. Help in making woodland management plans, marking timber for cutting, advising owners on felling, hauling, loading, and sawing timber, and in locating markets, would be necessary whether or not a cooperative was involved. The advantage of giving aid to the landowners through a cooperative association is that it stimulates self-reliance and may not need to be continued after the cooperative becomes firmly established.

In addition to research and contributed services, a plan to stimulate and assist a limited number of experimental processing associations through their formative years should be considered. This might call for low-cost, long-time loans, on more liberal terms than the Banks for Cooperatives are authorized to give. One or two pioneer projects in each of the eastern farm-woods regions, and one or two in the far West, or 8 to 10 in all, should serve to demonstrate the possibilities.

What Can Be Expected of Forest Cooperatives?

Although forest cooperatives face some serious obstacles and their business record during the war period was not impressive, they have had enough success in obtaining better markets and in stimulating interest in better woodland management to indicate that they have distinct possibilities for advancing forestry. They hold promise also of contributing significantly to the welfare of small forest landowners and of the communities in which they live. The opportunities for success will increase as landowners and cooperative managers gain experience and as woodlands are made more productive under good management.

Here are some of the limitations to cooperative action in forestry:

Cooperatives do not offer much to owners of nonproductive or badly depleted woodlands. They ought to be helpful in purchasing tree seedlings, operating planting machines, selling the products from thinnings and improvement cuttings. Actually, they have been of service chiefly to owners whose timber was suitable for sawlogs or pulpwood.

Farm tenants are less likely than owner-operators to be interested in co-ops that give primary attention to woodland management.

Many productive woodlands will be unavailable to co-ops, some because of divided ownership or encumbered title; some because the owners prefer to have them managed independently by consulting foresters on a fee basis; some because the owners are not interested in forest management.

The opportunity for forest cooperatives seems good in the South. The large acreage of woods in small ownerships, the fast rate of timber growth, the many small and poor mills, the many poor landowners who need supplemental income that forests can provide—all suggest a large field for cooperative enterprises. But progress has been slow. Of 57 forest co-ops studied, only 12 were in the South and most of these are inactive at present. Cooperatives of other kinds also have made slow progress in the South. For every 1,000 farmers in the Northeast there were 141 members of farm supply cooperatives (marketing or purchasing) in 1943; in the Central States and Lake States, 216; on the Pacific coast, 182. But in the South there were only 47.

Experience indicates that no standard form of cooperative is suitable for all localities. Much depends upon the extent and condition of the woodlands, the kind of markets present, the attitude of landowners, and the kind of leadership available.

Forest products marketing associations have probably the widest applicability. They are relatively easy to start, require little operating capital, and are readily adjustable to changing conditions. They have been used to provide working funds for farmers and other small loggers who lack capital of their own. They can facilitate and make more effective the work of Farm Woodland Management specialists maintained under cooperative arrangements between the U. S. Forest Service and State forestry agencies. In areas not serviced by Farm Woodland Management projects, interested conservation agencies in the State may help start cooperatives.

Marketing associations may be especially successful if attached to strong federations of agricultural cooperatives, since this would add stability and give them the advantage of the larger groups' business experience and market connections.

Processing co-ops are suited to well-wooded localities where existing markets are inadequate, or where existing mills cause wasteful utilization and poor logging practice. They are suited also to introducing new processes and new products into some localities. Because of their pioneer nature, cooperatives of this type may need special public financing, to get started.

Federations offer an unusually favorable opportunity for integrating the needs of farmers and other small owners as producers and as consumers of forest products. The ultimate possibilities are very great, if a suitable pattern of forestry operations can be fitted to these large and rapidly growing organizations.

Cooperative stores and special-purpose cooperatives have received little consideration in this analysis. Some of these associations may expand in time into broader fields of forest management and thus qualify for a greater degree of public assistance.

To sum up the over-all possibilities, forest cooperatives may, under relatively favorable circumstances, be able to obtain a membership of up to 25 percent of the woodland owners in any locality. With 261 million acres of commercial forest in small holdings, this would mean that cooperatives might eventually include about 65 million acres. Actually, in view of the inertia to be overcome and the depleted condition of a large fraction of the woodland, no such acreage can be expected in the near future.

The influence of the cooperatives, however, may well be much greater than is implied by the acreage owned by their members. Judged by experience in other fields, cooperatives handling only a small fraction of the total volume of business may set the pace for an entire industry. All owners should benefit by the influence of forest cooperatives on such things as price levels, manufacturing practices, grading and scaling of products, and forest practices. Successful cooperatives should be able to furnish their members most, if not all, of the technical services and incentives needed in forest management. Thus, through cooperatives, small owners tend to become independent and self-supporting. Forest cooperatives may thus serve to strengthen our rural economy and to sustain the best qualities of the American tradition of private enterprise. But cooperatives alone are not the whole answer to the problems of small forest landowners. They are but one feature of a comprehensive program of needed forestry action.

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